

EXHIBIT 17

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File No. 001-7784



CENTURYLINK, INC.

(Exact name of registrant as specified in its charter)

Louisiana

(State or other jurisdiction of
incorporation or organization)

**100 CenturyLink Drive,
Monroe, Louisiana**

(Address of principal executive offices)

72-0651161

(I.R.S. Employer
Identification No.)

71203

(Zip Code)

(318) 388-9000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller reporting
company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On October 27, 2016, there were 546,690,239 shares of common stock outstanding.

TABLE OF CONTENTS

<u>Part I.</u>	<u>Financial Information:</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Statements of Operations (Unaudited)</u>	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>4</u>
	<u>Consolidated Balance Sheets (Unaudited)</u>	<u>5</u>
	<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
	<u>Consolidated Statements of Stockholders' Equity (Unaudited)</u>	<u>7</u>
	<u>Notes to Consolidated Financial Statements (Unaudited)*</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>45</u>
<u>Part II.</u>	<u>Other Information:</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>46</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>46</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>68</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>69</u>
<u>Signature</u>		<u>81</u>

* All references to "Notes" in this quarterly report refer to these Notes to Consolidated Financial Statements.

PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in millions, except per share amounts and shares in thousands)				
OPERATING REVENUES	\$ 4,382	4,554	13,181	13,424
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	1,996	1,993	5,845	5,863
Selling, general and administrative	796	857	2,439	2,571
Depreciation and amortization	995	1,048	2,958	3,136
Total operating expenses	3,787	3,898	11,242	11,570
OPERATING INCOME	595	656	1,939	1,854
OTHER (EXPENSE) INCOME				
Interest expense	(327)	(329)	(998)	(984)
Other (expense) income, net	(19)	2	5	16
Total other expense, net	(346)	(327)	(993)	(968)
INCOME BEFORE INCOME TAX EXPENSE	249	329	946	886
Income tax expense	97	124	362	346
NET INCOME	\$ 152	205	584	540
BASIC AND DILUTED EARNINGS PER COMMON SHARE				
BASIC	\$ 0.28	0.37	1.08	0.97
DILUTED	\$ 0.28	0.37	1.08	0.97
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.54	0.54	1.62	1.62
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
BASIC	539,806	554,897	539,411	558,502
DILUTED	540,917	555,156	540,493	559,293

See accompanying notes to consolidated financial statements.

CenturyLink, Inc. and several of its subsidiaries are defendants in lawsuits filed over the past few years in the Circuit Court of St. Louis County, Missouri by numerous Missouri municipalities alleging underpayment of taxes. These municipalities are seeking, among other things, (i) a declaratory judgment regarding the extent of our obligations to pay certain business license and gross receipts taxes and (ii) a monetary award of back taxes covering 2007 to the present, plus penalties and interest. In an April 2016 ruling in connection with one of these pending cases, the court made findings which, if not overturned, will result in a tax liability to us well in excess of the contingent liability we have established. Following further proceedings at the district court, we plan to file an appeal and continue to vigorously defend against these claims. For a variety of reasons, we expect the outcome of our appeal to significantly reduce our ultimate exposure, although we can provide no assurances to this effect.

Other Proceedings and Disputes

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to our rates or services, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies and miscellaneous third party tort actions.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities, many of whom are seeking substantial recoveries. These cases have progressed to various stages and one or more may go to trial in the coming 24 months if they are not otherwise resolved. Where applicable, we are seeking full or partial indemnification from our vendors and suppliers. As with all litigation, we are vigorously defending these actions and, as a matter of course, are prepared to litigate these matters to judgment, as well as to evaluate and consider all reasonable settlement opportunities.

We are subject to various foreign, federal, state and local environmental protection and health and safety laws. From time to time, we are subject to judicial and administrative proceedings brought by various governmental authorities under these laws. Several such proceedings are currently pending, but none is reasonably expected to exceed \$100,000 in fines and penalties.

The outcome of these other proceedings is not predictable. However, based on current circumstances, we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on our financial position, results of operations or cash flows.

(9) Other Financial Information

Other Current Assets

The following table presents details of other current assets in our consolidated balance sheets:

	As of September 30, 2016	As of December 31, 2015
	(Dollars in millions)	
Prepaid expenses	\$ 271	238
Materials, supplies and inventory	136	144
Assets held for sale	1	8
Deferred activation and installation charges	111	105
Other	112	86
Total other current assets	<u>\$ 631</u>	<u>581</u>

Segment Expenses

Business segment expenses increased by \$16 million, or 1%, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015. The increase in our business segment expenses was primarily due to increases in salaries and wages, employee benefits expense and customer premises equipment costs, which were partially offset by reductions in professional fees, payment processing fees and sales commissions. Business segment expenses decreased by \$37 million, or 1%, for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The decrease in our business segment expenses was primarily due to reductions in salaries and wages from lower headcount, professional fees, customer premises equipment costs, payment processing fees and sales commissions, which were partially offset by increases in facility costs, network expense and bad debt expense.

Segment Income

Business segment income decreased by \$46 million, or 4%, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015 and decreased by \$147 million, or 4%, for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The decline in our business segment income for both periods was due predominantly to the loss of customers and lower service volumes in our legacy services.

Consumer Segment

The operations of our consumer segment have been impacted by several significant trends, including those described below:

- *Strategic services.* In order to remain competitive and attract additional residential broadband subscribers, we believe it is important to continually increase our broadband network's scope and connection speeds. As a result, we continue to invest in our broadband network, which allows for the delivery of higher-speed broadband services to a greater number of customers. We compete in a maturing broadband market in which most consumers already have broadband services and growth rates in new subscribers have slowed. Moreover, as described further in Item 1A of Part II of this report, certain of our competitors continue to provide broadband services at higher average transmission speeds than ours or through advanced wireless data service offerings, both of which we believe have impacted the competitiveness of certain of our broadband offerings. We also continue to expand our other strategic product offerings. The expansion of our facilities-based video service infrastructure to new markets requires us to incur substantial start-up expenses in advance of marketing and selling the service. Also, our associated content costs continue to increase and the video business has become more competitive as more options become available to customers to access video services through new technologies. The demand for new technology has increased the number of competitors offering strategic services similar to ours. Price compression and new technology from our competitors have negatively impacted the operating margins of our strategic services and we expect this trend to continue. Operating costs also impact the operating margins of our strategic services, but to a lesser extent than price compression and customer disconnects caused by competition. These operating costs include employee costs, marketing and advertising expenses, sales commissions, modem costs, Prism TV content costs, and installation costs. We believe increases in operating costs have generally had a greater impact on the operating margins of our strategic services as compared to our legacy services, principally because our strategic services rely more heavily upon the above-listed costs;
- *Legacy services.* Our voice revenues have been, and we expect they will continue to be, adversely affected by access line losses and lower long-distance voice service volumes. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice services and electronic mail, texting and social networking non-voice services for traditional voice telecommunications services. We expect that these factors will continue to negatively impact our business. As a result of the expected loss of higher margin services associated with access lines, we continue to offer our customers service bundling and other product promotions to help mitigate this trend, as described below. Customer migration and price compression from competitive pressures have not only negatively impacted our legacy revenues, but they have also negatively impacted the operating margins of our legacy services and we expect this trend to continue. Operating costs, such as installation costs and facility costs, have also negatively impacted the operating margins of our legacy services, but to a lesser extent than customer migration and price compression. Operating costs also tend to impact our strategic services margins to a greater extent than legacy services margins as noted above;
- *Service bundling and product promotions.* We offer our customers the ability to bundle multiple products and services. These customers can bundle local services with other services such as broadband, video, long-distance and wireless. While we believe our bundled service offerings can help retain customers, they also tend to lower our profit margins in the consumer segment due to the related discounts; and

- *Operating efficiencies.* We continue to evaluate our segment operating structure and focus. This involves balancing our workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions. We also expect our consumer segment to benefit indirectly from enhanced efficiencies in our company-wide network operations.

The following tables summarize the results of operations from our consumer segment:

	Consumer Segment				
	Three Months Ended September 30,		Increase / (Decrease)	% Change	
	2016	2015			
	(Dollars in millions)				
Segment revenues:					
Strategic services					
Broadband services (1)	\$	674	658	16	2%
Other strategic services (2)		115	105	10	10%
Total strategic services revenues		789	763	26	3%
Legacy services					
Voice services (3)		605	664	(59)	(9)%
Other legacy services (4)		78	81	(3)	(4)%
Total legacy services revenues		683	745	(62)	(8)%
Data integration		-	1	(1)	(100)%
Total revenues		1,472	1,509	(37)	(2)%
Segment expenses		656	637	19	3%
Segment income	\$	816	872	(56)	(6)%
Segment margin percentage		55%	58%		

(1) Includes broadband and related services revenue

(2) Includes video and other revenue

(3) Includes local and long-distance voice revenue

(4) Includes other ancillary revenue

Consumer Segment				
Nine Months Ended September 30,				
	2016	2015	Increase / (Decrease)	% Change
(Dollars in millions)				
Segment revenues:				
Strategic services				
Broadband services (1)	\$ 2,023	1,945	78	4%
Other strategic services (2)	340	314	26	8%
Total strategic services revenues	2,363	2,259	104	5%
Legacy services				
Voice services (3)	1,854	2,027	(173)	(9)%
Other legacy services (4)	237	221	16	7%
Total legacy services revenues	2,091	2,248	(157)	(7)%
Data integration	1	2	(1)	(50)%
Total revenues	4,455	4,509	(54)	(1)%
Segment expenses	1,934	1,881	53	3%
Segment income	\$ 2,521	2,628	(107)	(4)%
Segment margin percentage	57%	58%		

- (1) Includes broadband and related services revenue
(2) Includes video and other revenue
(3) Includes local and long-distance voice revenue
(4) Includes other ancillary revenue

Segment Revenues

Consumer segment revenues decreased by \$37 million, or 2%, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015 and decreased by \$54 million, or 1%, for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The decrease in our consumer segment revenues for both periods was primarily due to the declines in our legacy services revenues, which were partially offset by increases in our strategic services revenues. The decline in our legacy services revenues for both periods was primarily due to lower local and long-distance voice service volumes associated with access line losses resulting from the factors noted above. The increase in our strategic services revenues for both periods was primarily due to rate increases resulting from various pricing initiatives on broadband, Prism TV and other strategic products and services, and increases in the number of our Prism TV customers, which were partially offset by a decline in broadband customers.

Segment Expenses

Consumer segment expenses increased by \$19 million, or 3%, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015. The increase in our consumer segment expenses was primarily due to increases in costs related to Prism TV (resulting from higher content volume and rates), professional fees and employee benefits expense, which were partially offset by reductions in payment processing fees and marketing and advertising expense. Consumer segment expenses increased by \$53 million, or 3%, for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The increase in our consumer segment expenses was primarily due to increases in costs related to Prism TV (resulting from higher content volume and rates), professional fees, sales commissions and bad debt expense, which were partially offset by reductions in salaries and wages from lower headcount and payment processing fees.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 4, 2016.

CENTURYLINK, INC.

/s/ DAVID D. COLE

By:

David D. Cole
Executive Vice President, Controller and Operations Support
(Chief Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Glen F. Post, III, Chief Executive Officer and President, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyLink, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2016

/s/ GLEN F. POST, III

Glen F. Post, III
Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, R. Stewart Ewing, Jr., Executive Vice President, Chief Financial Officer and Assistant Secretary, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyLink, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2016

/s/ R. STEWART EWING, JR.

R. Stewart Ewing, Jr.
Executive Vice President, Chief
Financial Officer and Assistant
Secretary

Exhibit 32

Chief Executive Officer and Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, acting in his capacity as the Chief Executive Officer or Chief Financial Officer of CenturyLink, Inc. ("CenturyLink"), certifies that, to his knowledge, the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 4, 2016

/s/ GLEN F. POST, III

Glen F. Post, III
Chief Executive Officer and
President

/s/ R. STEWART EWING, JR.

R. Stewart Ewing, Jr.
Executive Vice President, Chief
Financial Officer and Assistant
Secretary